

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 DOEE-00 SSO-00 /126 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 3886

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

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USEEC ALSO FOR EMBASSY: PARIS ALSO FOR USOECD: USMTN ALSO
FOR US MISSION

E.O. 11652: N/A

TAGS: ETRD, EAGR, EEC, IT

SUBJECT: MTN - CITRUS

REF: (A) GENEVA 9524 (B) BRUSSELS 12441 (C) ROME 11928

1. REFS A AND B HAVE POINTED UP NECESSITY FOR US TO OBTAIN
CONCESSION ON CITRUS FROM EC, I.E. ITALY. WE ARE QUITE
CERTAIN GOI HAS RECOGNIZED ALL ALONG THAT WE
WOULD PUSH VERY HARD ON THIS ISSUE BEFORE END OF NEGO-
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TIATIONS. WE FULLY AGREE WITH GENEVA (REF A) THAT WE
STAND BETTER CHANCE OF GAINING ITALIAN ACQUIESCENCE
IF WE START NOW RATHER THAN WAITINGUNTIL "CRUNCH
PERIOD" IN NEGOTIATIONS.

2. WE ALSO AGREE THAT ITALIAN REACTION TO U.S. PROPOSALS
HAS BEEN OF NEGATIVE "KNEE-JERK" VARIETY,

AND WE DOUBT THAT GOI POLICY-MAKERS HAVE MADE CAREFUL ASSESSMENT OF EFFECT U.S. PROPOSALS WOULD HAVE ON ITALIAN CITRUS INTERESTS. IN EFFECT, POLICY HAS BEEN SET BY STRONG POLITICAL FORCE REPRESENTED BY CITRUS PRODUCERS AND, THEREFORE, SECONDED BY MINISTRY OF AGRICULTURE.

3. "CITRUS PROBLEM" INsofar AS ITALY IS CONCERNED IS ESSENTIALLY "ORANGE PROBLEM". GENEVA'S ANALYSIS, WE BELIEVE, UNDERESTIMATES STRENGTH OF ITALIAN ATTACHMENT TO EXISTING REGIME, WHICH ITALIAN PRODUCERS PERCEIVE TO BE IN THEIR INTEREST, BOTH SHORT-TERM AND LONG-TERM. ANY LIBERALIZATION IS SEEN AS DIRECTLY CONTRARY TO THEIR INTERESTS. ALTHOUGH VOLUME OF ITALIAN ORANGE EXPORTS TO OTHER MEMBERS OF COMMUNITY IS SMALL AND SHARE OF MARKET IS DECLINING, THESE EXPORTS ARE BY NO MEANS INSIGNIFICANT TO ITALY. VOLUME OF EXPORTS HAS BEEN RISING (ALMOST QUADRUPLING IN LAST FIVE YEARS) AND NOW ACCOUNT FOR OVER HALF OF ITALIAN ORANGE EXPORTS AS WELL AS 8 PERCENT OF TOTAL PRODUCTION. 94 PERCENT OF ORANGE EXPORTS TO EC WERE BLOOD ORANGES, WHICH SELL AT HIGHER PRICES THAN BLOND ORANGES AND THUS ARE MORE PROFITABLE TO ITALIAN PRODUCERS. ACCORDINGLY, ITALIANS FEAR THAT ANY INCREASE IN ORANGE IMPORTS BY COMMUNITY WILL DEPRESS PRICES AND THUS MAKE PURCHASES OF BLOOD ORANGES LESS ATTRACTIVE. WHILE GREATER CONCERN IS EXPRESSED OVER EFFECT OF SPANISH ENTRY, SAME PRINCIPLE LIMITED OFFICIAL USE

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HOLDS TRUE FOR U.S. COMPETITION. INsofar AS DOMESTIC MARKET IS CONCERNED, PHYTOSANITARY CONTROLS HAVE EFFECTIVELY BLOCKED IMPORTS OF ORANGES. CONCEIVABLY LIBERALIZATION OF IMPORTS IN EC COULD, HOWEVER, DEPRESS DOMESTIC PRICE LEVELS.

4. AS WASHINGTON AGENCIES AWARE, EFFORTS BY SUNKIST AND, MORE RECENTLY, FLORIDA PRODUCERS TO COOPERATE IN PRODUCING AND MARKETING IN RETURN FOR LOWERING OF TRADE BARRIERS HAVE FALLEN ON DEAF EARS. WHILE THIS IS PARTLY REFLECTION OF RELATIVE LACK OF ORGANIZATION AMONG CITRUS PRODUCERS, MORE IMPORTANT FACTOR HAS BEEN THAT PRODUCERS ARE QUITE CONTENT WITH GUARANTEED PRICE REGIME WHICH TAKES CARE OF ANY PROBLEM OF SURPLUS PRODUCTION.

5. IN SUM, THEN, WE DO NOT BELIEVE THERE IS ANY REAL POSSIBILITY OF CONVINCING ITALIAN CITRUS PRODUCERS THAT U.S. PROPOSALS FOR LIBERALIZATION OF CITRUS TRADE ARE IN THEIR INTEREST. RATHER, WE WILL NEED TO CONVINCE GOI POLICY-MAKERS THAT SUCH A CONCESSION IS VITAL TO SUCCESS OF OVERALL MTN PACKAGE. IN DOING SO, EXTENT TO WHICH WE

CAN OFFER ITALIANS SPECIFIC CONCESSIONS OF INTEREST
TO THEM WILL INCREASE CHANCE FOR GOI CONCURRENCE.
UNFORTUNATELY, ITALIANS DO NOT SEEM TO HAVE IDENTIFIED
ANY SUCH CONCESSIONS. GARDNER

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